

COMPETITIVE MARKETING COMPETENCIES AND PERFORMANCE: AN EXPLORATORY STUDY OF SMALL TO MEDIUM SIZED RETAIL FIRMS IN AUSTRALIA

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ABSTRACT

Little or no study particularly in Australia has examined whether or not the marketing competencies possessed by small to medium sized retail organizations can influence their level of business performance. This study was designed to determine if there are significant differences in the competitive marketing competencies possessed by the high level performing and low level performing small to medium sized retail businesses in South East Queensland

INTRODUCTION

According to Aaker (1992) the firm's competitive advantage is the notion of "who you are" in terms of competencies. Having the right distinctive marketing competencies for choosing an appropriate strategy enables the firm to successfully create a sustainable competitive advantage because either the skills of the firm, its set of value adding assets and/or its core competencies are difficult to copy (Aaker 1992; Conant et al 1993). Creating a fit between competencies and functional strategies not only provides the possibility of a sustainable competitive advantage but can lead to the achievement of high levels of performance (Day & Wensley 1988).

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Although the literature contains research in the area of strategies that can impact upon retail performance, most of the studies have often been concerned with retail structure (eg Bates 1989), retail positioning (e.g. King & Ring 1980), service orientation (Homburg et al 2002) and a range of marketing mix strategies (e.g. Walters 1988; Lowson, 2001; Lynch, Keller, & Ozment 2000; Palmer & Markus 2000; Radder 1996; Leung & Taylor 2002). Little or no study particularly in Australia has examined whether or not the marketing competencies possessed by small to medium sized retail organizations can influence their level of business performance. This study was designed to determine if there are significant differences in the competitive marketing competencies possessed by the high level performing and low level performing small to medium sized retail businesses in South East Queensland

Why Study Retail Business Organizations Queensland, Australia?

The retail sector is one of the largest employers of Australian workers employing nearly 20% of all employed persons (ABS 2004 cat. no. 6202.0). Combined with the wholesale trade it is the largest contributor to national GDP per annum with the exception only of property related expenditure (ABS 2004 cat # 5206.0). However, in South-east Queensland which according to ABS cat no. 1362.3 incorporates the local Government Authorities of Brisbane, Gold Coast, Pine Rivers, Maroochy, Redland, and the cities of Ipswich and Logan, and as of June 2003–had a population of over 2.5 million, estimated to have grown to almost 2.7 million by mid 2005 with a total number of employed persons of an estimated 1.2 million or 49% of the population. Of all employed persons in South-East Queensland, around 16.6% or nearly 220 000 were employed by the retail sector by close to 20 000 small retail businesses. The income of small businesses in south-east Queensland for 2003 came to a total of just under \$50 000m with retail being one of the largest contributors with about \$9 500m of total small business income in the region. Share of industry turnover in the retail sector is Food retailing (42.2%), Department stores (6.9%), Clothing & soft goods retailing (6.6%), Household goods retailing (13.4%), Recreational goods retailing (4.2%), Other retailing (10.2%), and Hospitality & services (16.5%). Since large chain store operations dominate most retail categories it will be useful for small to medium sized retail organizations to be aware of the competitive marketing competencies that could influence the level of their business performance.

The competencies investigated in this study based on Aaker (1992); Conant et al (1993); and Day & Wensley (1988) are: Knowledge of current customers, Knowledge of competitors, Knowledge of prospective customers, Knowledge of industry needs, Awareness of weaknesses, Segmenting and targeting markets, Accuracy of forecasting, Differentiation of store, Customer service, Allocation of finances, Selecting new products and lines, Effective pricing, Effective advertising, Store layout and merchandising, Atmospherics, Effective PR, Handling complaints, Store image, Civic Involvement, Putting plans into action, Aware of strengths, Employee Training, Store location, and Control of retail programs.

METHODOLOGY

This study surveyed independent retailers that employ between 1-199 employees and are not part of a large retail chain in South East Queensland. Franchisees were excluded from the study because according to Leedy and Ormrod (2004) will control for any extraneous variables that may exist as franchisees, despite running a small business, compared to other small businesses as they have the support and network of a franchisor and its business system (Quinn 1999). In deciding the retailers to approach for this study, the Brisbane UBD map that separates Brisbane suburbs into 15 smaller areas was used as a starting point. Out of the fifteen areas, eleven of the areas that have reasonable combination of retail businesses and residential properties were chosen plus another 6 areas outside the Brisbane UBD suburbs (i.e. Gold Coast, Pine Rivers, Maroochy, Redland, and the cities of Ipswich and Logan) thus resulting into a total of 17 areas of the Brisbane UBD suburbs areas and outside Brisbane UBD initially selected to be sampled for the study. .

Five of the 17 areas were randomly selected and the streets in the five areas to survey were also randomly selected. Sixty questionnaires were delivered to each of the five areas thus resulting into a total of 300 questionnaires delivered to the five areas. Every third small to medium sized retail business in the street selected in the 5 areas was provided the questionnaire. The questionnaire had a cover letter explaining the purpose and benefits of the study. Out of the 300 questionnaires delivered, 162 businesses accepted to complete the questionnaire and of these 162 businesses only 118 returned it. Out of the 118 returned, 11 surveys were not useable because all sections were not

completed leaving a total of 107 responses at a rate of 35.7%. This response rate is adequate since other studies of retailers as the population report a response rate of about 10% - 20% (Conant et al 1993).

Non-response bias was investigated by comparing non-respondents and respondents. In doing this forty randomly selected retailers who did not complete the questionnaire were asked to complete the organisational and respondent profile sections. A comparative analysis using chi-square tests showed no significant differences between the organisational and respondent characteristics of the non respondents and the respondents in the following areas: legal structure of the business, major product offerings of the business, position of respondents, respondent educational attainment, annual operating profit margin, floor space in square metres, number of retail outlets.

Forty one percent of the retail firms studied were in Clothing and soft goods retailing, 28% were in personal and household good retailing, about 12% were retailers of recreational goods and over 11% retailed furniture, house wares and appliances. In terms of size of retailer, 45% of the businesses had only one retail branch outlet. The majority (about 71%) were small businesses that employed less than 20 employees. The remaining (29%) of the firms employed 20 or more employees. The majority of respondents (81%) who completed the questionnaire were owners or managers of the retail business while the rest (19%) of the questionnaires were completed on behalf of their owner-managers by sales assistants who have knowledge of their marketing operations competencies. The majority (84.1%) of the respondents had at least high school qualification. More than a third (37.4%) of the respondents had a university degree and about a quarter (27.2%) had TAFE diploma qualifications.

Classification of Retail Businesses into High and Low Level Performing Retail Firms

In this study, for a retail organisation to be classified as an organisation with a high level of performance, the firm must have rated on a seven point scale (1=much worse, 7 = much better) that the firm's performance is much better than competitors in the following areas:

1. Return on investment
2. Sales per square metre

3. Total sales growth over the past three years
4. General profitability, and
5. Overall store performance/success

This classification procedure resulted in classifying 37 firms as high level performing firms while the remaining 70 firms were classified as low level performing firms.

RESEARCH FINDINGS

In order to determine the extent to which the firms possess certain marketing competencies, respondents were asked to indicate on a 7-point scale (1=much worse/lower; 7=much better/higher) how they think their firms should be rated on the possession of a number of marketing activities.

The findings in table 1 showed significant differences (at the 0.10 level) between firms with a high level of business performance and firms with a low level of business performance in most of the marketing areas studied for this article. The t-test data in table 1 shows that the level of competencies possessed in the following marketing areas by these retail firms in comparison to their competitors is significantly higher for retail firms with a high level of business performance than retail firms with a low level of business performance.

Table 1: Marketing competencies possessed much better than competitors

| Marketing Competencies | Groups | N | Mean | Mean difference | t-test sig level |
|------------------------------------|------------------------|----------|-------------|------------------------|-------------------------|
| Knowledge of current customers | Low level Performance | 70 | 4.486 | -1.001 | 0.01 |
| | High level Performance | 37 | 5.486 | | |
| Knowledge of competitors | Low level Performance | 70 | 4.314 | -0.983 | 0.04 |
| | High level Performance | 37 | 5.297 | | |
| Knowledge of prospective customers | Low level Performing | 70 | 4.371 | -0.980 | 0.03 |
| | High level Performance | 37 | 5.351 | | |
| Knowledge of industry needs | Low level Performance | 70 | 5.300 | -0.862 | 0.04 |
| | High level Performance | 37 | 6.162 | | |
| Segmenting and targeting markets | Low level Performance | 70 | 4.300 | -1.159 | 0.00 |
| | High level Performance | 37 | 5.459 | | |
| Accuracy of forecasting | Low level Performance | 70 | 4.514 | -1.134 | 0.00 |
| | High level Performance | 37 | 5.649 | | |
| Differentiation of store | Low level Performance | 70 | 4.914 | -1.167 | 0.00 |
| | High level Performance | 37 | 6.081 | | |
| Customer service | Low level Performance | 70 | 6.200 | -0.692 | 0.01 |
| | High level Performance | 37 | 6.892 | | |
| Effective pricing | Low level Performance | 70 | 4.700 | -1.084 | 0.00 |
| | High level Performance | 37 | 5.784 | | |
| Store layout and merchandising | Low level Performance | 70 | 4.829 | -1.523 | 0.00 |
| | High level Performance | 37 | 6.351 | | |
| Atmospherics | Low level Performance | 70 | 4.071 | -1.496 | 0.00 |
| | High level Performance | 37 | 5.568 | | |
| Store image | Low level Performance | 70 | 5.314 | -1.226 | 0.01 |
| | High level Performance | 37 | 6.541 | | |
| Putting plans into action | Low level Performance | 70 | 4.186 | -1.436 | 0.00 |
| | High level Performance | 37 | 5.622 | | |
| Aware of strengths | Low level Performance | 70 | 4.771 | -1.472 | 0.00 |
| | High level Performance | 37 | 6.243 | | |
| Employee Training | Low level Performance | 70 | 3.657 | -1.721 | 0.00 |
| | High level Performance | 37 | 5.378 | | |
| Store location | Low level Performance | 70 | 4.586 | -2.063 | 0.00 |
| | High level Performance | 37 | 6.649 | | |
| Control of retail programs | Low level Performance | 70 | 3.814 | -1.753 | 0.00 |
| | High level Performance | 37 | 5.568 | | |

Note: The arithmetic mean for the level of competencies in each of the marketing activities covered here was measured on a 7 point scale, where 1=possess competencies much worse/lower than competitors; 7= possess competencies much better/higher than competitors.

There are no significant differences (at the 0.10 level) regarding the level of competencies possessed by firms with a high level of business performance and firms with a low level of business performance in the following marketing areas studied: Knowledge of customer, knowledge of competitors, knowledge of industry trends, ability to differentiate the store and its offerings, and quality of customer service.

CONCLUSION

This study found that the extent to which retail small to medium sized businesses possess competencies in most of the marketing areas of their operations much better than their competitors is related to the level of business performance in small to medium sized retail businesses. This is in line with Walters and Knee (1989), and Johnson and Scholes (2002) that claim that distinctive marketing competencies are skills which businesses can develop to form the basis for competitive advantages over their competitors. However, because of the small sample size used for this study (N=107), a similar study on a much larger scale should be conducted to investigate further the validity of this findings. This study can also be extended to other types of small and medium sized retailers such as service retailers, food and fast moving consumer. Also, retailers in regional areas instead of suburban and city areas could be studied.

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